



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Kathleen Clarke  
Executive Director

Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210  
PO Box 145801  
Salt Lake City, Utah 84114-5801  
801-538-5340  
801-359-3940 (Fax)  
801-538-7223 (TDD)

July 20, 2000

CERTIFIED RETURN RECEIPT  
Z 230 748 220

Gayle McKeachnie  
McKeachnie, Allred, McClellan & Trotter  
121 West Main Street  
Vernal, Utah 84078

Re: Conditional Approval of Independent 2 (I-2) Amendment, Ziegler Chemical and Mineral Corporation (Ziegler), Ziegler Gilsonite Mines, M/047/013, Uintah County, Utah

Dear Mr. McKeachnie:

The Division has completed a review of the additional information you provided for the I-2 amendment on behalf of Ziegler. The additional information was received by fax on July 17, 2000, with the hard copy and oversize maps received on July 18, 2000.

The additional information has addressed the concerns raised in our June 12, 2000, letter specific to the I-2 Amendment. **Ziegler may begin work on the I-2 amendment after the following conditions are met: (1) Ziegler agrees to post an acceptable form and amount (amount described below and on attachment) of reclamation surety prior to the cancellation of the current Frontier Insurance Company surety; and (2) Ziegler agrees to provide the remaining outstanding information to the Division by August 30, 2000. Written acceptance of these conditions must be received and acknowledged by our office in writing prior to conducting work at the I-2 site.**

To avoid delay in approval of the I-2 Amendment, and in the replacement of the current reclamation surety, we have adjusted the previous reclamation estimate for escalation only. The escalated surety amount is \$143,900 in terms of 2005 dollars. Please provide a replacement reclamation surety in this amount with a revised reclamation contract. A copy of the estimate escalation is attached. A blank reclamation contract form and a copy of the current reclamation contract are enclosed to assist you in completion of a revised reclamation contract.

Upon receipt of the outstanding information (due Aug 30<sup>th</sup>), we will complete a detailed review of the old reclamation estimate. This detailed review is necessary because this current escalation does not include: (a) an adjustment in the 1992 unit costs used in the previous estimate, (b) costs for reclamation of the additional acreage for the Main #1 and #2 areas, (c) costs for reclamation of a portion of the Cowboy vein disturbance, (d) costs for reclamation of the I-2 site (since the I-3 site has

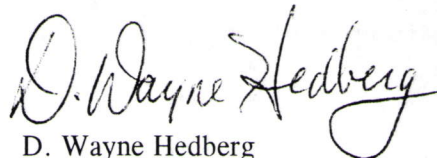
Page 2  
Gayle McKeachnie  
M/047/013  
July 20, 2000

not been completely reclaimed), and (e) costs for reclamation of the additional facilities acreage as described in this latest response. The latest reclamation cost information provided by Ziegler will be useful in reviewing the old estimate. Please note that the Division's reclamation estimate must be based on third party costs to reclaim the site. We can recognize price quotes from local contractors for equipment or tasks if Ziegler wishes to provide this information; otherwise, the unit costs from the Rental Rate Blue Book and Means Heavy Construction Cost Data will be used.

The detailed review of the estimate will undoubtedly cause the surety amount to increase beyond this latest escalation figure, unless there are a significant number of reclaimed mine sites that we have not yet released. If there are reclaimed mine sites included in the current reclamation estimate that are release candidates, please provide a list of these sites for our consideration

We will suspend review of the older reclamation estimate until the outstanding information is received. If you have any questions regarding this letter please contact me, Tony Gallegos, or Doug Jensen of the Minerals Staff. Thank you for your cooperation.

Sincerely,



D. Wayne Hedberg  
Permit Supervisor  
Minerals Regulatory Program

jb  
Attachment: Reclamation Surety Estimate Escalation  
Enclosures: blank Reclamation Contract form, copy of current Reclamation Contract  
cc: Stan Wagner, Ziegler Gilsonite Operations  
O:\REVIEW\m47-13-I2apv

## SURETY ESTIMATE UPDATE

Ziegler Chemical &amp; Mineral Comp.,

Last Update

20-Jul-2000

Ziegler Gilsonite Mines

M/047/013

Uintah County

Prepared by Utah Division of Oil, Gas &amp; Mining

## DESCRIPTION:

- Previous reclamation surety estimate was \$126,600 in year 2002 dollars calculated as of 6/10/97.
- Reclamation Estimate base amount calculated in 1995-\$ as \$106,468 -- (based on 1992 unit costs).
- This update adjusts the surety amount for escalation only.
- Bond amount to be recalculated upon receipt of addition information.
- Escalation factors through 1999 are actual Means Historical Cost Indices.
- Total disturbed area = 33.4 ACRES

CALCULATIONS $F = P(1 + i)^{**n}$	YR	ESCAL FACTOR	BOND AMOUNT
	1995	0.0193	\$106,468
F = Future Sum	1996	0.0242	\$109,045
P = Present Sum	1997	0.0236	\$111,618
i = Escalation Factor	1998	0.0502	\$117,221
n = number of periods	1999	0.0200	\$119,566
	2000	0.0313	\$123,308
Three Yr Average = 3.13%	2001	0.0313	\$127,168
Used to Project 5 Yrs	2002	0.0313	\$131,148
From the Year 2000	2003	0.0313	\$135,253
	2004	0.0313	\$139,486
	2005	0.0313	\$143,852
Updated Surety Amount Rounded (2005-\$)			\$143,900
** Average cost per acre =	\$4,308	(\$/ACRE)	